Economic and Financial Profile of Québec

Spring 2002

Québec

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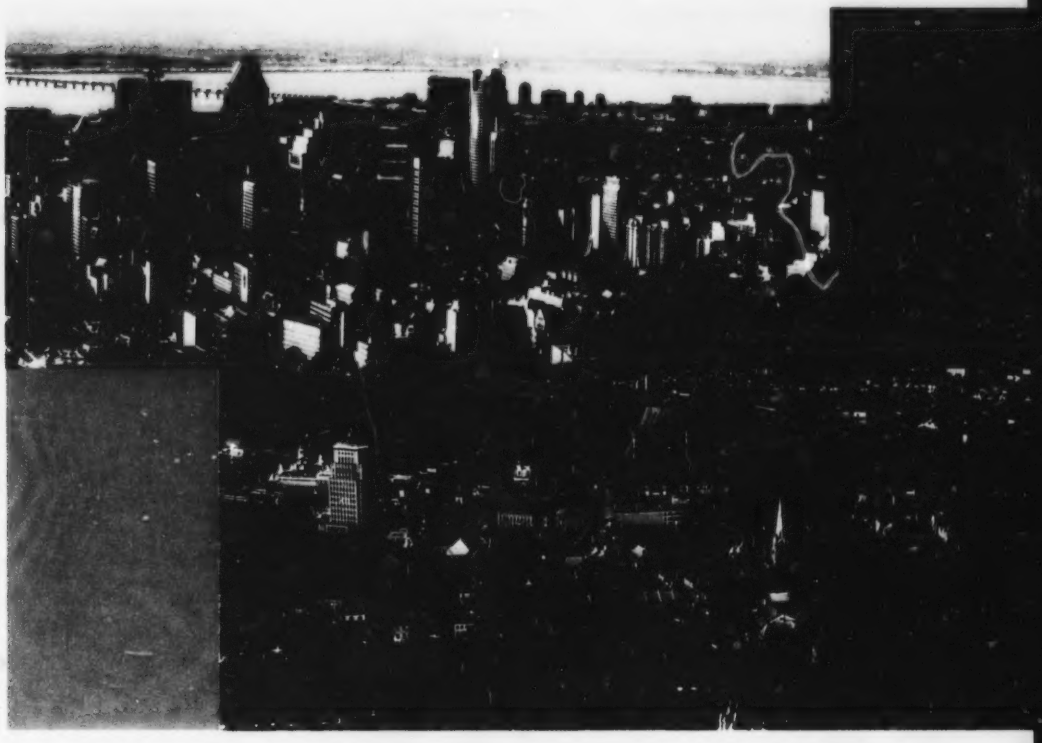

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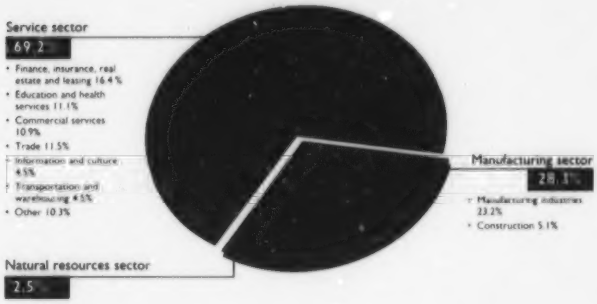
- Québec ranks first in terms of area in Canada, and second in terms of population, with 7.4 million people.
- With a gross domestic product in excess of CAN$225 billion (US$145 billion or 162 billion euros), Québec ranks among the top 20 industrialized countries in the OECD.
- Québec's economy is similar in size to those of Switzerland and Sweden.
- Québec's per capita GDP is comparable to those of Germany and Japan, and exceeds those of France, the United Kingdom and Sweden.
- Québec's per capita GDP is almost 5% above the average for OECD.
- Under the North American Free Trade Agreement (NAFTA), Québec has preferred access to a market of more than 400 million consumers.
- Québec has direct access to 130 million consumers within a radius of 1 000 kilometres (600 miles).

A diversified economy

A diversified post-industrial economy

- The service sector plays a dominant role, accounting for 70% of GDP.
- Despite the primary sector's small share of the economy, Québec is a major world producer of natural resources.

Breakdown of real GDP by major sector - 2000



Source: Institut de la statistique du Québec

Aluminium smelter

Abundant natural resources

- Mining:
  - Québec is one of the world's top ten mining producers.
- Aluminium:
  - Québec is the world's fourth-largest producer.
- Magnesium:
  - Québec's production is the second highest in the world.
- Newsprint:
  - 60% of the newsprint consumed in the northeast United States is produced in Québec.

Hydro-electricity and Hydro-Québec

- Fresh water covers 10% of Québec's territory, constituting one of the largest reservoirs in the world.
- The hydro-electric dams of Hydro-Québec, a corporation 100%-owned by the Québec government:
  - enable Québec to produce a clean and renewable form of electricity;
  - at a cost of production that is among the lowest in North America.
- With over 31 100 megawatts of power, Hydro-Québec serves 3.5 million customers in Québec, and sells electricity to the United States, Ontario and New Brunswick.
  - Hydro-Québec is the biggest exporter of electricity to the United States.
- Québec still has substantial undeveloped hydro-electric potential.

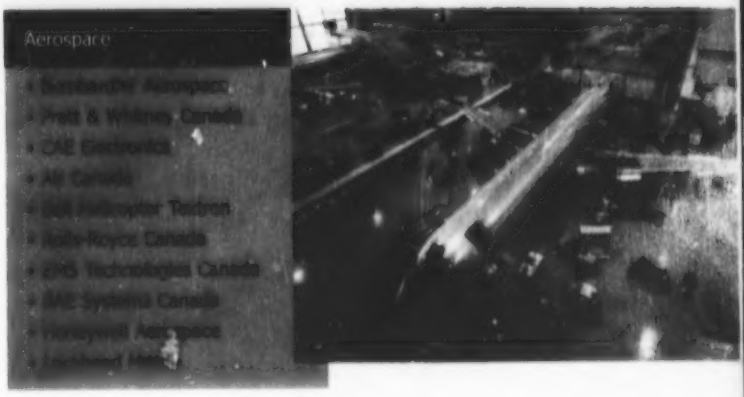
La Grande-3 generating station

A focus on high technology

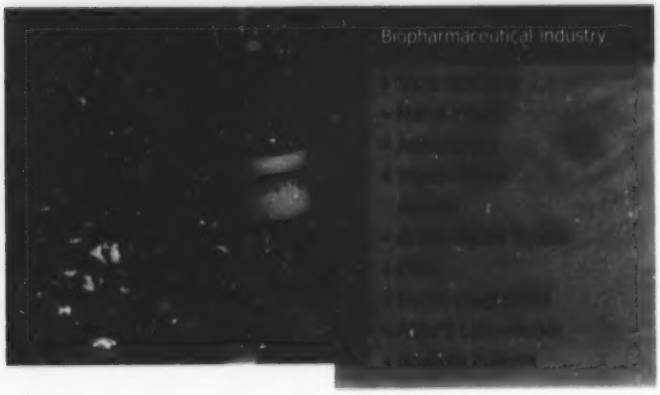
Companies at the forefront of the world economy

- Many world leaders in high-technology sectors have chosen Québec.

Aerospace



- Québec ranks sixth in the world, ahead of Italy:
  - Montréal is the world's second-largest aerospace centre, behind Seattle and before Toulouse.
- Over 260 companies; 40 000 jobs.
- Sales in excess of $9 billion in 2000:
  - in five years, sales have risen by more than 50% and employment by 21%.
- Over 80% of production is exported.
- R&D in excess of $600 million annually.

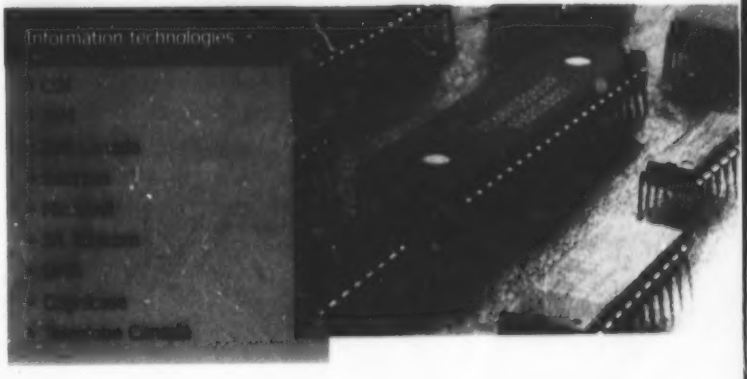


Biopharmaceutical industry

- 42% of jobs and investments in the Canadian biopharmaceutical sector are in Québec.
- More than 150 companies, including six research centres; 15 000 jobs.
- Montréal is the eighth-largest biopharmaceutical centre in North America, and three world-class clinical research centres are located in Québec.

Information technologies

- Over 100 000 jobs in more than 4 000 companies.
- R&D investment of some $800 million a year.
- Remarkable breakthroughs by software designed in Québec, for example, special effects in the area of film production.
- Exports worth over $9 billion in 1999.



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Aerospace

- Bombardier Aerospace
- Pratt & Whitney Canada
- CAE Electronics
- Air Canada
- Bell Helicopter Textron
- Rolls-Royce Canada
- EMS Technologies Canada
- BAE Systems Canada
- Honeywell Aerospace
- Lockheed Martin

Biopharmaceutical industry

- Shire BioChem
- Merck Frosst
- AstraZeneca
- Wyeth-Ayerst
- Aventis
- Bristol-Myers Squibb
- Pfizer
- Roche Diagnostics
- Abbott Laboratories
- Novartis Pharma

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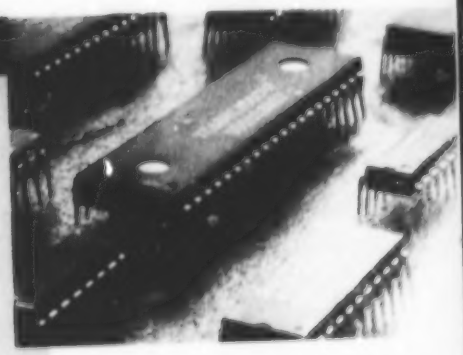
Information technologies

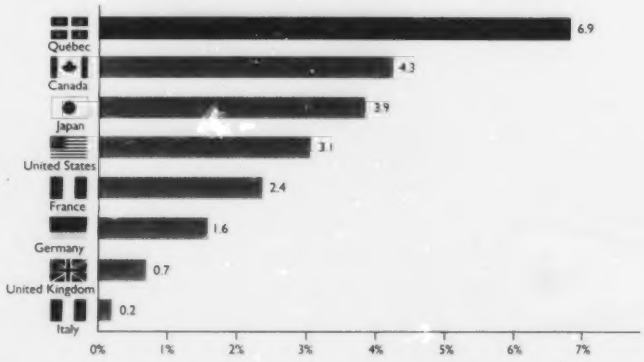
- CGI
- IBM
- Bell Canada
- Ericsson
- Microcell
- SR Telecom
- DMR
- Cognicase
- Teleglobe Canada



An advanced-knowledge economy

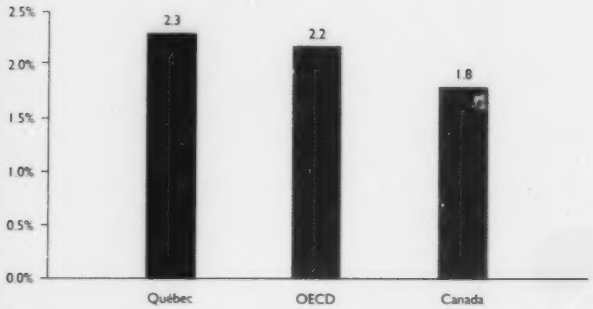
- Québec ranks ahead of every G7 country in terms of R&D spending growth by companies.
- R&D spending now stands at 2.3% of GDP in Québec, compared with 1.8% in Canada.
- Advanced-knowledge industries have increased their share of private sector GDP from 18% in 1983 to 24% in 2000.
- Since 1990, the number of companies carrying out R&D has more than doubled.

Real R&D spending by firms
(average annual growth rate 1986-1999)



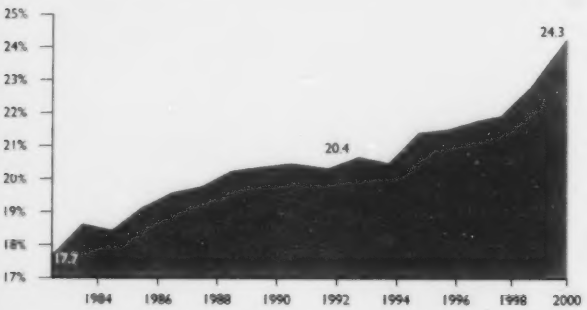
Sources: OECD and Statistics Canada for Québec and Canada.

R&D spending - 1999
(as a percentage of GDP)



Sources: OECD and Statistics Canada.

Growing importance of advanced-knowledge industries
(as a percentage of private sector real GDP)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

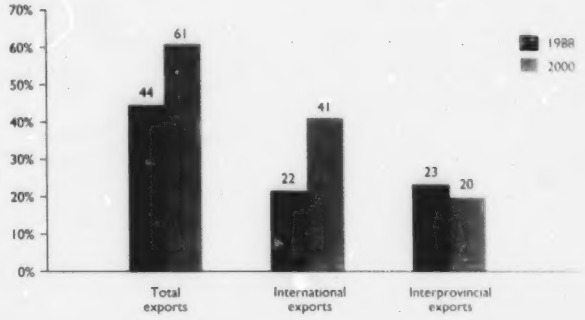
Montréal: high-tech centre of the new economy

- Montréal is an acknowledged hub of new technologies and ranks among the leaders of technological development.
  - A study by PricewaterhouseCoopers (October 2000) puts Montréal in fourth place in North America in terms of the number of jobs per capita in high-technology sectors.
  - The US magazine Wired (July 2000) ranks Montréal fifth among the world's of new technology hubs, on an equal footing with New York and Seattle, and ahead of Los Angeles, Paris and Tokyo.
- Montréal offers:
  - a high concentration of researchers in biotechnology, pharmacology, information and multimedia technology;
  - a critical mass of companies in high-technology sectors;
  - top-notch scientific resources with four universities and over 300 research centres;
  - more accessible financing for companies with the presence of Nasdaq Canada.

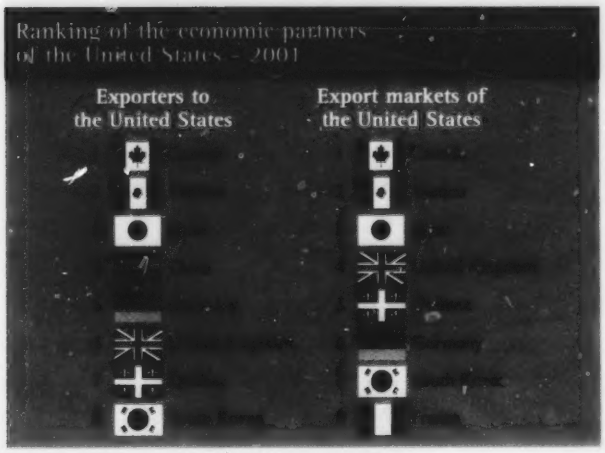
An open economy highly integrated into the North American market

- With the North American Free Trade Agreement (NAFTA), Québec has access to a huge market:
  - in 1988, prior to NAFTA, exports accounted for close to 44% of Québec's GDP;
  - today, they account for 61% of GDP.
- Since 1988, international merchandise exports have more than tripled:
  - about 85% is destined for the United States.

Québec's exports
(as a percentage of GDP)



Sources: Statistics Canada and Institut de la statistique du Québec


Ranking of the economic partners of the United States - 2001
Exporters to the United States
Export markets of the United States

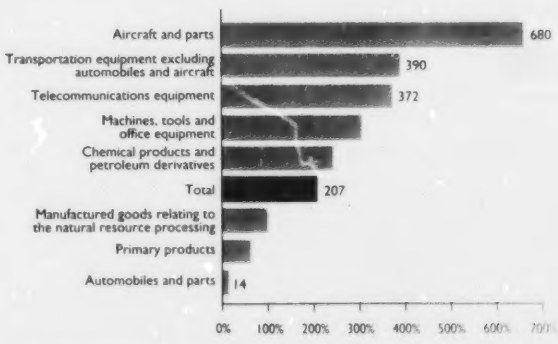
Sources: US Census Bureau, Statistics Canada and Institut de la statistique du Québec

- Québec is a preferred trading partner of the United States:
  - seventh-largest exporter on the American market:
    - ahead of South Korea, Taiwan and France.
  - the fifth-largest export market for the United States:
    - before Germany, South Korea and France.

High value-added exports

- Québec's international exports reflect its diversified industrial structure in which high value-added products account for a growing proportion of output.
- The share of investment goods in exports has more than doubled, from 15% in 1978 to 39% in 2001.
- Investment goods account for most of the growth in international merchandise exports between 1988 and 2001:
  - aircraft and parts: 680%;
  - transportation equipment: 390%;
  - telecommunications equipment: 372 %.

Cumulative growth of merchandise exports 1988-2001
(as a percentage)



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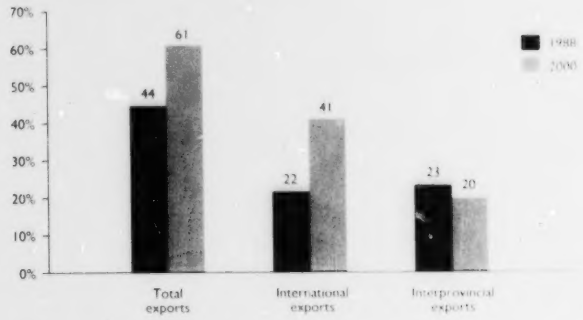

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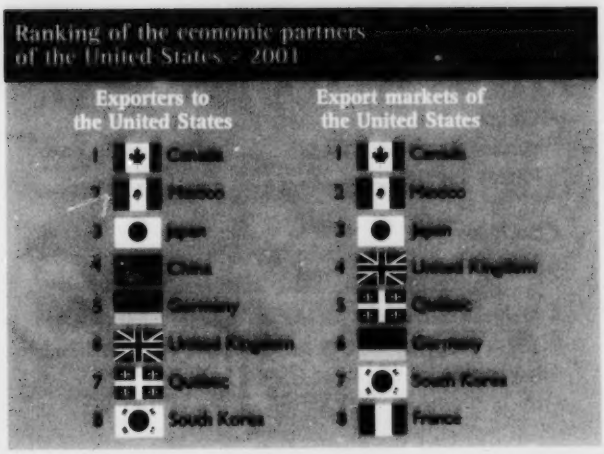

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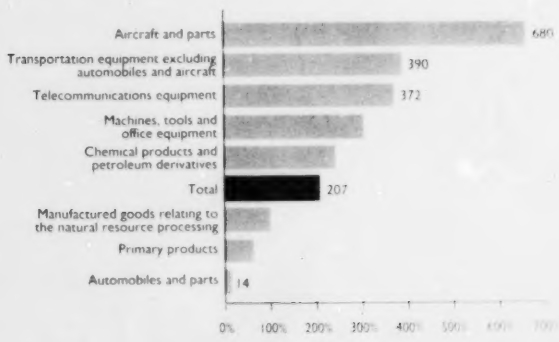


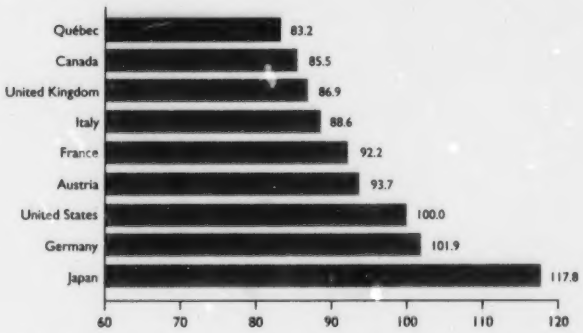
Source: Institut de la statistique du Québec

A competitive economy

Business location and operating costs among the lowest in the world

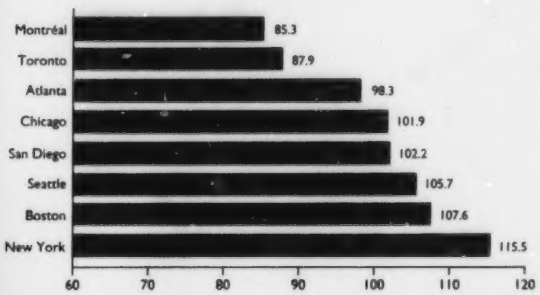
- A recent KPMG study (2002) again confirms that business location and operating costs in Québec are the lowest among the major industrialized countries.
- This is partially attributable to unit labour costs in US dollars that are 32% lower in Québec than in the United States.

Index of business location and operating costs
(United States = 100)[1]



1 The lower a country's index, the lower its business location and operating costs.
Sources: KPMG (2002) and for Québec: ministère des Finances du Québec, according to KPMG's methodology and data.

Index of business location and operating costs in major North American cities
(United States = 100)[1]



1 The lower a city's index, the lower its business location and operating costs.
Source: KPMG (2002).

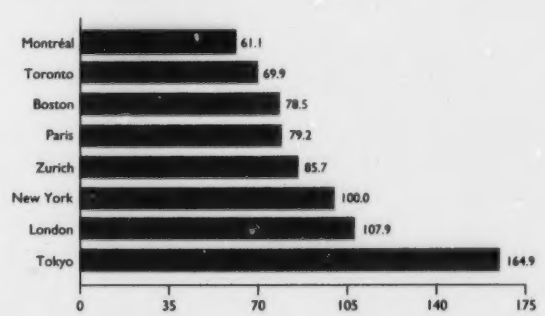
Competitively positioned in North America

- Compared to other main North American cities studied, business location and operating costs were lowest in Montréal.
- Such costs are nearly 26% lower in Montréal than in New York.
- Among cities with a population between 500 000 and 1 500 000, Québec City ranks second with costs 16.5% lower than in the United States.

Cost and quality of life

- According to a study by Mercer (June 2000) covering 146 business centres around the world, Montréal is among the cities with the lowest cost of living.
- In Mercer's annual studies of quality of life in 200 cities, Montréal always ranks near the top.

Cost of living index of certain cities
(New York = 100)[1]

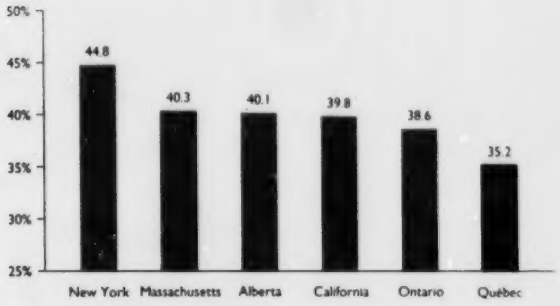


1 The higher the index, the higher the cost of living.
Source: Mercer (June 2000).

A tax system that favours economic growth

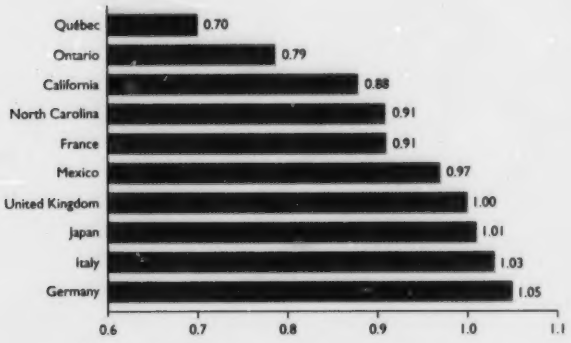
- Québec businesses enjoy a tax system that is competitive compared with Ontario and neighbouring American states.
- Tax rates on business profits in Québec are among the lowest in North America.
- Almost all companies can claim a refund of Québec sales tax on all their purchases.
- Tax measures are in place to encourage the development of the new economy and investment, in particular a 10-year tax holiday for major investment projects.

Combined[1] corporate income tax rates – as at January 1, 2002



1 Maximum tax rates applicable to the active income of corporations by all levels of government.
Source: KPMG (2002).

Competitiveness index of the tax treatment of an R&D expenditure – 1998[1]



1 Revenue needed by a large company to cover an R&D expenditure of $1.
Source: Conference Board of Canada (1999).

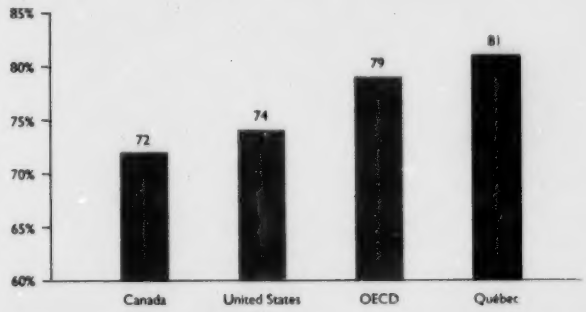
Tax treatment that favours innovation

- Québec's tax system is clearly favourable for profitable companies that invest in boosting their productive capacity and improving their technology.
  - According to a study by the Conference Board of Canada (1999), Québec offers the most favourable tax treatment for R&D spending by a large company.

Competitive, skilled manpower

- Highly skilled manpower:
  - More than 80% of workers have a high school diploma and close to 20% are university graduates.
  - On a per capita basis, more university degrees are granted in Québec than in the United States, France or Japan.
  - Half of Montréal's labour force is bilingual. Close to 13% speaks a third language.
- An international survey (PISA survey) by the OECD published in December 2001 ranked Quebecers second in the world in mathematics and fourth in science and reading.

Secondary school graduation rate - 1998

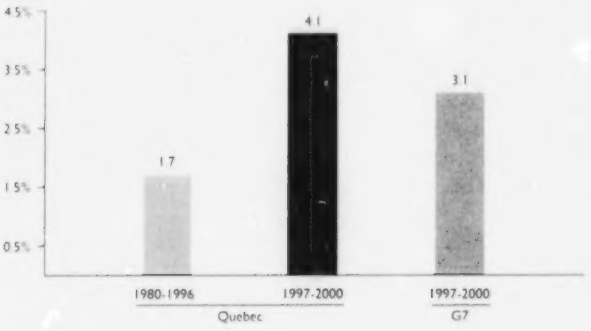


Source: Ministère de l'Éducation du Québec.

A vigorous economy

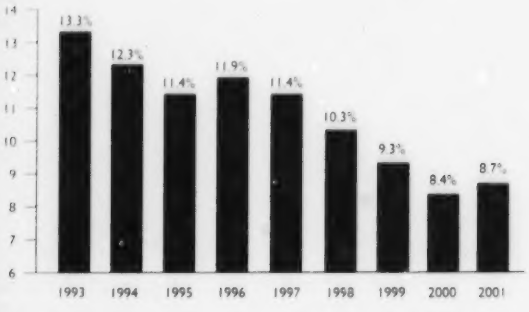
- Economic support policies and increased diversification of Québec's economy have resulted in vigorous economic growth in Québec in recent years:
  - whereas growth in real GDP in Québec averaged 1.7% from 1980 to 1996;
  - average growth was 4.1% from 1997 to 2000, outpacing the G7.
- Québec's economy slowed in 2001, growing by 1.1%. However, the economy should gain strength in 2002 and 2003 with growth forecast at 1.7% and 2.9% respectively.

Real gross domestic product – Québec and G7
(change in percentage, constant 1997 dollars)



Sources: OECD, Statistic Canada, DRI-WEFA, Institut de la statistique du Québec and ministère des Finances du Québec

Unemployment rate – Québec
(change in percentage)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec

Growth that creates jobs

- The economy's remarkable performance resulted in a substantial drop in the unemployment rate, from 13.3% in 1993 to 8.4% in 2000, the lowest level since 1976.
- The unemployment rate rose slightly in 2001:
  - however, this increase essentially reflects a larger labour force;
  - employment growth remained relatively strong at 1.1%.

An environment that remains conducive to growth

- Diversified economic base
- Rigorous management of public finances
- Declining tax burden
- Fiscal measures that favour investment
- Low inflation
- Low interest rates

Economic indicators
(as a percentage, except as indicated)

	1999	2000	2001
Québec			
Real GDP growth	3.2	4.3	1.1
Consumption	4.7	4.8	3.7
Housing starts(units)	25 742	24 695	27 682
International merchandise exports (1997$)	10.2	12.8	-4.9
Unemployment rate	9.3	8.4	8.7
Employment growth	2.3	2.4	1.1
Consumer price index	1.5	2.4	2.4
Canada			
Interest rates			
- Treasury bills (3 months)	4.7	5.3	3.8
- Bonds (10 years)	5.6	5.9	5.5
Exchange rate	67.30	67.33	64.93

Sources: Bank of Canada, Institut de la statistique du Québec and ministère des Finances du Québec

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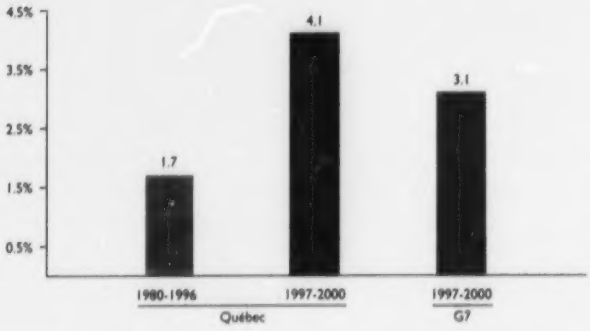

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Sources: Bank of Canada, Institut de la statistique du Québec and ministère des Finances du Québec.

Agencies that foster economic development

Investissement Québec

- This organization makes use of effective financial and fiscal instruments to support private investment.
- 40% refundable tax credits, in particular for eligible employees of the Cité du Multimédia, information technology development centres and new economy centres.
- Involvement in 929 projects in 2000-2001, representing $5.4 billion of investment and 24 000 new jobs.

Société générale de financement

- The Société générale de financement du Québec (SGF) is working to generate $10 billion of investment in five years by carrying out economic development projects with partners.
- The SGF participated in 49 projects in 2000 representing $2.5 billion of investment and 10 200 new jobs.

International Financial Centre

- Objective: facilitate the location and development in Montréal of businesses specializing in international financial transactions.
- Tax benefits for businesses: full exemption from the payroll tax, the tax on capital and provincial tax on profits from international transactions.
- Tax benefits for employees: for non-residents, five-year provincial income tax exemption; for others, a 50% income tax reduction.
- 97 institutions in Montréal currently have IFC status.

Montréal Foreign Trade Zone at Mirabel

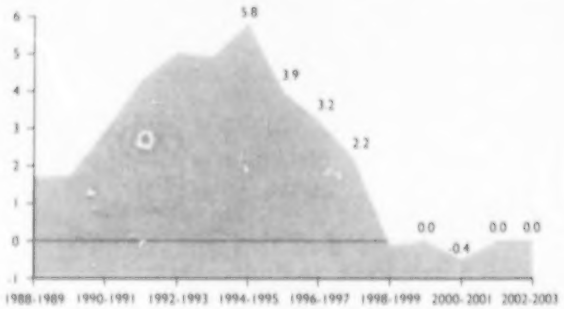
- Technical and financial assistance for the implementation of projects in international logistics, aircraft maintenance and repair, training in the field of aviation and light manufacturing.
- Among other things, the Mirabel Zone offers tax credits for the construction of buildings, leasing or purchase of equipment, and on the salaries of eligible employees.
- Results: projects totalling $392 million of investment since 1999 and 3 000 jobs.

Rigorous management of public finance

Balanced budget

- Since the mid-1990s, the government has pursued rigorous management of public finances:
  - the budget deficit of close to $6 billion in 1994-1995 (3.4% of GDP) was eliminated in 1998-1999.
- Since then the budget has remained balanced and has even been in a surplus position in 1998-1999 and 2000-2001.

Budget deficit
(in billions of dollars)



Source: Ministère des Finances du Québec

Balanced-budget Act

- **Unanimously adopted by the National Assembly in 1996**
- **Requires the government to maintain a zero deficit**

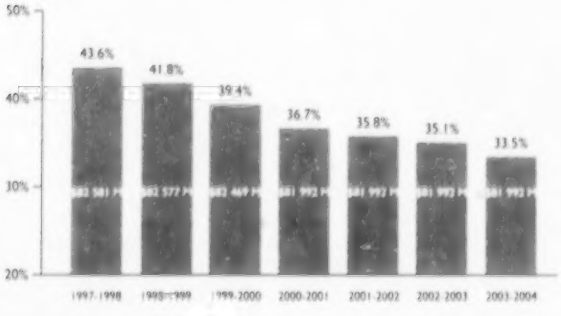
Balanced budget legislation

- In 1996, Québec's National Assembly unanimously passed the *Act respecting a balanced budget*, which bans future budget deficits, other than in exceptional circumstances.
- In accordance with the legislation, the government's current budget forecasts project no budget deficit for 2001-2002, 2002-2003 and subsequent years.

Debt reduction

- The restoration of public finances has enabled the government to reduce the debt representing accumulated deficits.
- The ratio of the debt representing accumulated deficits has fallen by one fifth in six years;
  - from 43.6% in 1997-1998 to 33.5% in 2003-2004.

Debt representing accumulated deficits
(as a percentage of GDP)



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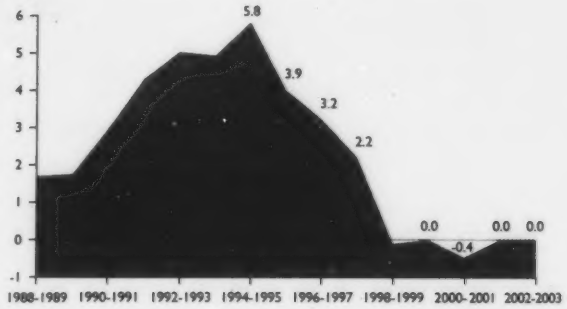

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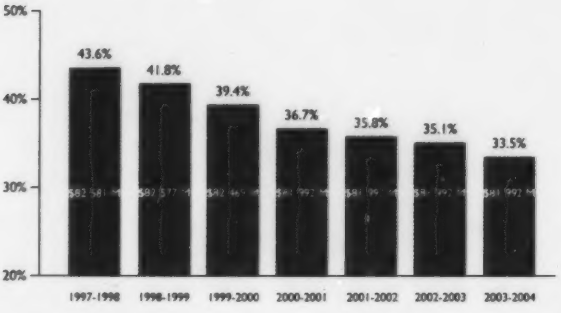
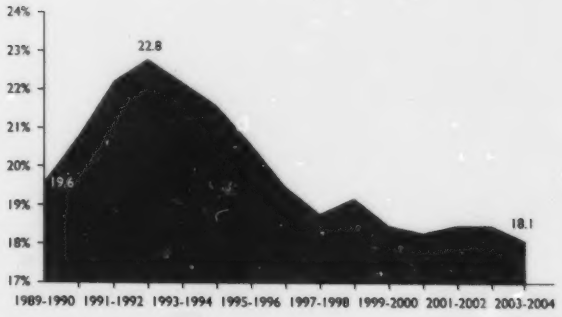


Source: Ministère des Finances du Québec.

More rigorous spending management

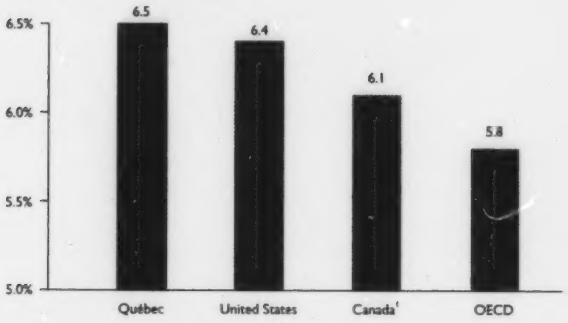
- Québec was able to eliminate the budgetary deficit by rigorous management of spending:
  - the program spending to GDP ratio will have fallen from 22.8% in 1992-1993 to 18.1% in 2003-2004;
  - the lowest it has been in 30 years.

Program spending[1]
(as a percentage of GDP)



1 Excluding extraordinary expenditures of 1 377 million in 1998-1999.
Source: Ministère des Finances du Québec.

Education Spending
(as a percentage of GDP)



1 Spending for Canada does not include Québec.
Source: Ministère de l'Éducation du Québec.

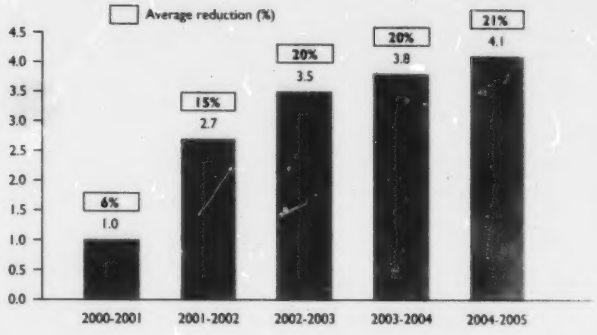
Excellent public services

- Despite the rigorous management of spending, public services remain among the best in the world.
- In particular, access to the health system remains free and universal.
- Education remains a priority:
  - private and public spending on education remain higher in Québec than in the rest of Canada, the United States and the adjusted average for the OECD.

Personal income tax reduction

- Reducing the personal tax burden is a government priority:
  - over five years, the government will have granted taxpayers a total tax reduction of $15 billion;
  - for an average cut in personal income tax of more than 20%.

Personal income tax reduction
(in billions of dollars)

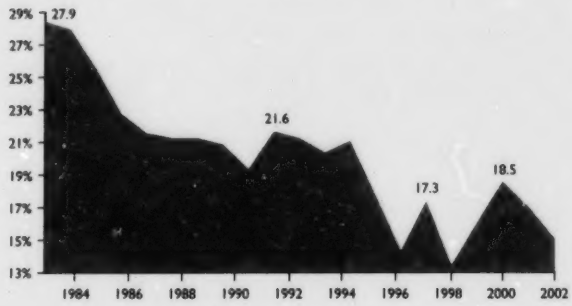


Source: Ministère des Finances du Québec.

Lower federal transfers

- Québec has restored order to its public finances in spite of the continuing decline in federal transfers as a proportion of its budgetary revenue.

Federal transfers
(as a percentage of budgetary revenue)



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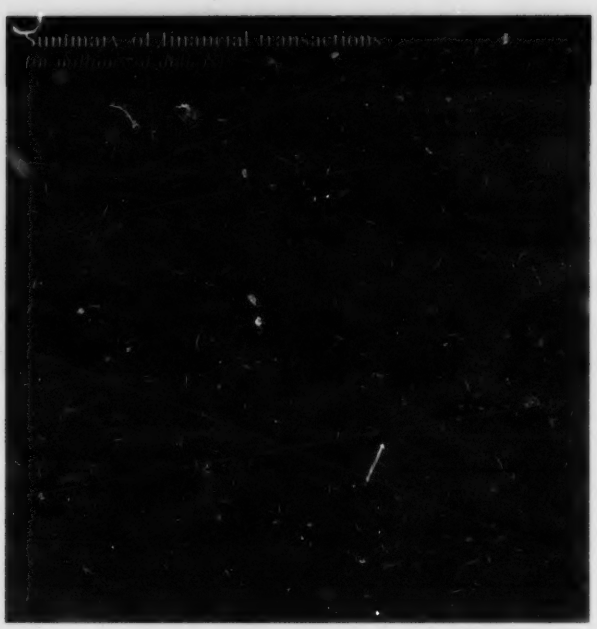

Additional measures to support the economy and employment

- On November 1, 2001, the Québec government presented the 2002-2003 Budget five months earlier than usual:
  - to take stock of Québec's economy and public finances in the economic context arising from the September 11 attacks in the United States.
- The government implemented a public-sector investment acceleration plan of almost $3 billion.
- A reduction of the tax on capital by 2007 (from 0.64% to 0.30%) has been announced as well as a total exemption from the tax for 60% of businesses by January 2003.
- On March 19, 2002, the Québec government presented a Supplementary Statement to the 2002-2003 Budget.
- Additional tax reductions for 780 000 households were announced.
- The government also announced that it intended to accelerate the development of the biotechnology sector:
  - through a new loan program called Bio-Levier;
  - through new tax assistance for biotechnology development centres.

Financing programs

Gouvernment and Financing Fund

- The financing program for 2002-2003 is estimated at close to $6.0 billion.
- The basic program of Consolidated Revenue Fund is estimated at $1.2 billion. This program aims to:
  - finance the capital expenditures of government departments;
  - repay maturing debt.
- Depending on opportunities on financial markets, the optional program ($2.8 billion in 2002-2003) helps to reduce the cost of debt service by:
  - contributing to a sinking fund that can eventually be used to pay retirement benefits of public-sector employees;
  - carrying out advantageous pre-financing.
- Finally, the Financing Fund, which grants loans to certain consolidated organizations and government corporations, should borrow $2 billion in 2002-2003.

1 Preliminary results
2 Excluding net financial requirements for consolidated organizations.
3 Borrowings are made out of the Financing Fund to certain consolidated organizations and government corporations.

1 Preliminary results.

Financement-Québec

- This government corporation, created in 1999, borrows on public and private markets:
  - in its own name;
  - with the government's guarantee;
  - to provide loans to establishements of the health and education network, which are not part of the government's reporting entity. These organizations were formerly served by the Financing Fund.
- Financement-Québec's borrowing needs are estimated at $2.2 billion in 2002-2003.
- Financement-Québec's funding strategy aims at:
  - issuing large liquid benchmarks in Canada:
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  - diversifying its sources of funds with regular issues in international capital markets.
- To date, Financement-Québec has issued five benchmarks in Canadian dollars and one issue in euros.

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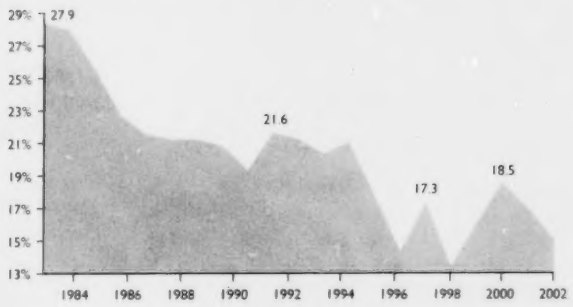

Source: Ministère des Finances du Québec

Public-sector investment acceleration plan
(in millions of dollars)

Public investments	
- Health and social services	500
- Housing	457
- Education	400
- Road network	400
- Municipal infrastructures	350
- Research, science and technology	100
- Other	250
Sub-total: public investments	2 457
Government corporation investments	500
Total	2 957
Approved projects	1 880

Summary of financial transactions
(in millions of dollars)

	2001-02	2002-03	2003-04
Budgetary revenue			
Own-source revenue	40 806	43 065	45 231
Federal transfers	9 287	8 842	8 074
	50 093	51 907	53 305
Budgetary expenditures			
Operating expenditures	-43 671	-44 713	-45 699
Debt service	-7 372	-7 194	-7 606
	-51 043	-51 907	-53 305
Use of budgetary reserve	950	—	—
Budgetary surplus after reserve	0	0	0
Non-budgetary transactions	-455	-872	-705
Net financial requirements	-455	-872	-705

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Gouvernment and Financing Fund
Financing program
(in millions of dollars)

	2001-2002[1]	2002-2003
Consolidated Revenue Fund		
Basic program		
– Net financial requirements[2]	—	-300
– Maturing debt	4 854	2 911
– Change in cash position	-1 477	-1 178
	3 377	1 233
Optional program		
– Retirement Plans Sinking Fund	3 148	2 765
– Pre-financing	1 178	—
	4 326	2 765
	7 703	3 998
Financing Fund[3]	1 510	2 000
Total	9 213	5 998

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Financement-Québec
(in millions of dollars)

	2001-2002[1]	2002-2003
Financing program	1 400	2 200

1 Preliminary results

Financement-Québec issues

Coupon %	Maturity	Initial issue date	Currency	Amount outstanding as at March 7, 2002 (in millions of dollars)
variable	2003	2000/08	CAD$	130.0
6.25	2003	2000/07	CAD$	749.8
6.30	2006	2000/08	CAD$	998.2
5.75	2008	2001/04	CAD$	105.5
FRN	2008	2001/12	EURO	350.0
6.25	2015	2000/09	CAD$	309.4

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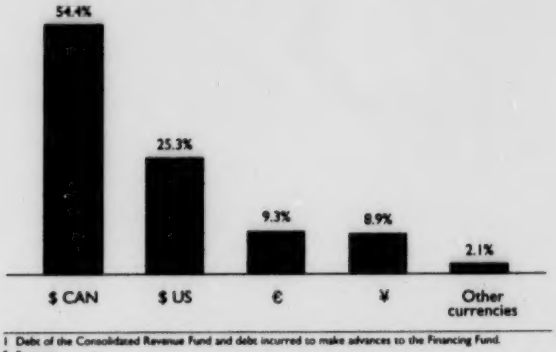
  - diversifying its sources of funds with regular issues in international capital markets.
- To date, Financement-Québec has issued five benchmarks in Canadian dollars and one issue in euros.

Diversification-oriented funding strategy

Markets

- Financing transactions are carried out on several markets:
  - Canada;
  - United States;
  - Europe;
  - Asia;
  - Australia.

Structure of the debt managed by the government[1] by currency as at March 31, 2002 (before currency swap and Fx-forward contracts)[2]



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.
2 Forecast.

Direct debt[1] by instrument as at March 31, 2002[2]
(as a percentage)

1 Debt of the Consolidated Revenue Fund borrowed on financial markets.
2 Forecast.

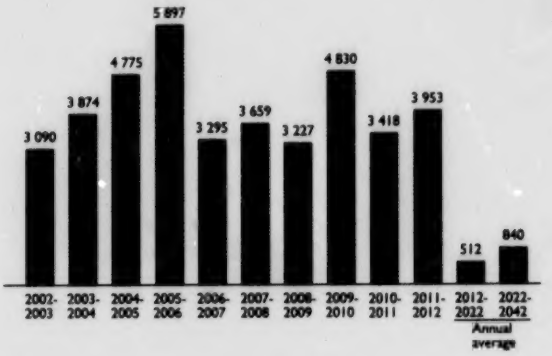
Instruments

- Long-term instruments:
  - negotiable bonds;
  - medium-term notes;
  - private issues;
  - retail savings products.
- Short-term instruments:
  - Treasury bills;
  - Treasury notes.
- Lines of credit:
  - syndicated (US$3 500 million available);
  - bank ($1 165 million available).

Maturities

- Maturities are spread over time:
  - to avoid massive refinancings.

Long-term direct debt[1] maturities as at March 31, 2002[2]
(in millions of dollars)



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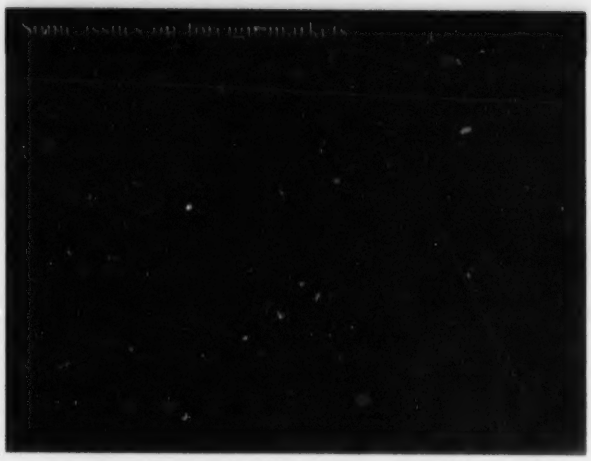
Strategy: liquidity

- The liquidity of Québec securities is a top priority.
- To this end, the following strategy has been put into place:
  - regular presence on major markets:
    - with benchmark issues; and
    - by reopening issues.
  - long-term relations with Québec's financial partners;
  - satisfaction of investors' need;
  - promotion of Québec securities:
    - promotional documents;
    - meetings with investors;
    - involvement of banks and brokerage firms.



1 For the retail market.

Long-term relations with foreign markets

- Tapping foreign markets is necessary to satisfy the government's borrowing requirements.
- Québec has been present on major markets for a long time:
  - first foreign issue: London, 1874;
  - first foreign government to borrow on Wall Street in 1879;
  - second foreign government after Australia to borrow on the Japanese market in 1972;
  - first borrowing in Euro immediately in 1999;
  - in 2001, first Canadian government to borrow on the Australian market.

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Some issues on foreign markets

Market	Coupon %	Maturity	Amount issued (in millions of units of the local currency)
US$ Global	5.50	2006	1 000
	6.125	2011	1 000
	7.5	2029	1 500
Euro	5.125	2007	1501
	5.125	2009	639
	5.625	2011	1 500
Swiss Franc	3.5	2008	500
Yen	3.0	2009	100 000
	1.60	2013	50 000
Australian $	5.75	2006	280
	Variable	2006	120

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Reopening issues in Canada

Coupon %	Maturity	Initial issue date	Number of reopenings since initial issue	Amount outstanding as at March 7, 2002 (in millions of dollars)
7.5	2005	1993/09	10	2 345
6.5	2006	2000/02	7	2 061
6.5	2007	1997/02	18	2 942
5.5	2009	1999/01	18	2 498
6.25	2010	2000/08	14	2 451
9.375	2023	1993/03	9	2 202
6.0	2029	1998/05	14	2 617
6.25	2032	2000/06	9	2 938

Québec's first issues on foreign markets

Pound sterling	1874
US dollar	1879
Deutsche mark	1968
French franc	1972
Yen (Samurai)	1972
Swiss franc	1972
Spanish peseta (Matador)	1997
Swedish crown	1998
Euro	1999
Australian (Kangaroo)	2001

Debt management to minimize costs and risk

- Financing decisions are taken independantly from debt management decisions:
  - Borrowings are made where funds are available, at the lowest possible cost;
  - Futures and swap contracts are used to target optimal debt structure:
    - by currency;
    - at fixed rates and at variable rates.
- Use of financial instruments to minimize debt service fluctuations.
- As at March 31, 2002, 80% of the debt managed by the government is in Canadian dollars, 7% in US dollars and 13% in yens.
- 71.5% of the debt is at fixed rates and 28.5% is at variable rates.

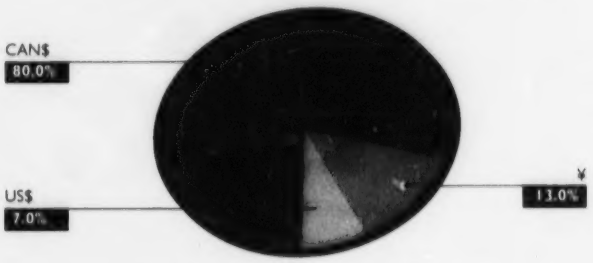
Counterparty credit policy

- The Québec government has adopted a counterparty credit policy that includes:
  - setting explicit credit limits for each dealer;
  - continuous assessment of the market value of transactions;
  - if the credit threshold is reached, an adjustment mechanism is triggered to return within the established limits.

Financial instruments used for debt and debt service management

Interest rate futures contracts	
Canada - 3 months (BAX) - 10 years (CGB)	United States - 3 months LIBOR - Options on 3-months LIBOR - 2, 5, 10 and 30 years
Over-the-counter products	
Swaps - Interest rates - Cross currencies Forwards - Bankers' acceptance in Canada - Fx-forwards	Options - Bankers' acceptances in Canada - Swaptions - Fx-options

Structure of the debt managed by the government[1] by currency as at March 31, 2002[2] (including currency swap and Fx-forward contracts)



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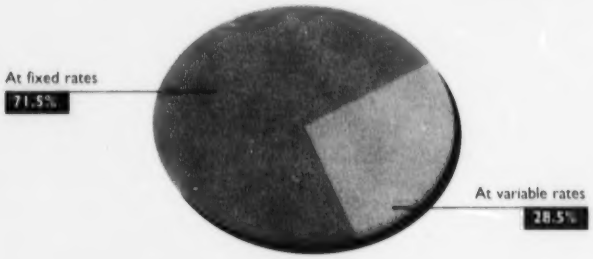

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High-quality credit

- Moody's upgraded Québec's credit rating in August 2001:
  - " The revision reflects a significant improvement in Québec's financial performance and a downward trend in the debt burden."
    Moody's report, August 2001
- Standard and Poor's recognizes Québec government's rigorous management of public finances:
  - "The ratings reflect [...] the government's determination to achieve balanced budgets through the medium term, in keeping its balanced budget legislation."
    Standard & Poor's report, March 2000

Credit ratings

Agency	Rating	Outlook
Standard & Poor's	A+	stable
Moody's	A1	stable
Dominion Bond Rating Service	A	stable
Japan Credit Rating Agency	AA	—

Financial markets recognize the quality of Québec's credit

- "The Province of Québec plays an important role in the global marketplace due to its unique economy, culture and society."
  JP Morgan, April 2001
- "The efforts to build a high tech infrastructure and become more competitive through tax cuts are excellent developments from a fiscal standpoint."
  Société Générale, May 2001
- "Robust growth and a sound fiscal management in recent years have the province's financial profile and considerably improved its financial flexibility."
  Bayerische Landesbank, November 2001
- The financial magazine Euroweek has recently awarded two prizes to Québec in the "sub-sovereign borrowers" category, a government borrower category, for two financing transactions carried out in 2001:
  - Québec received first prize for its global bond issue of €1.5 billion carried out in June 2001;
  - Québec also won third prize in the same category for its global bond issue of US$1 billion in January 2001.

Prize awarded to Québec for its issue of 1.5 billion euros in June 2001

"Sub-sovereign borrowers" category

EuroWeek

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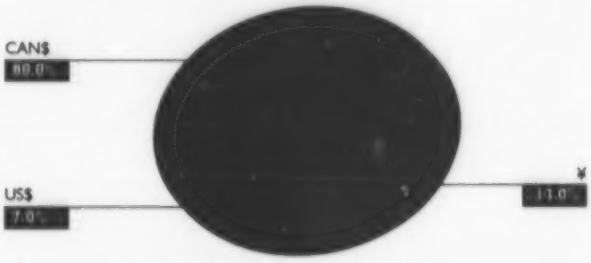

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Moody's upgraded Québec's credit rating in August 2001:

– " The revision reflects a significant improvement in Québec's financial performance and a downward trend in the debt burden."

Moody's report, August 2001

Standard and Poor's recognizes Québec government's rigorous management of public finances:

– "The ratings reflect [...] the government's determination to achieve balanced budgets through the medium term, in keeping its balanced budget legislation."

Standard & Poor's report, March 2000

Credit ratings

Financial markets recognize the quality of Québec's credit

"The Province of Québec plays an important role in the global marketplace due to its unique economy, culture and society."

JP Morgan, April 2001

- "The efforts to build a high tech infrastructure and become more competitive through tax cuts are excellent developments from a fiscal standpoint."

Société Générale, May 2001

- "Robust growth and a sound fiscal management in recent years have the province's financial profile and considerably improved its financial flexibility."

Bayerische Landesbank, November 2001

- The financial magazine Euroweek has recently awarded two prizes to Québec in the "sub-sovereign borrowers" category, a government borrower category, for two financing transactions carried out in 2001:
  - Québec received first prize for its global bond issue of €1.5 billion carried out in June 2001;
  - Québec also won third prize in the same category for its global bond issue of US$1 billion in January 2001.

Prize awarded to Québec for its issue of 1.5 billion euros in June 2001

"Sub-sovereign borrowers" category

EuroWeek

Prize awarded to Québec for its issue of US$1 billion in January 2001

"Sub-sovereign borrowers" category

EuroWeek

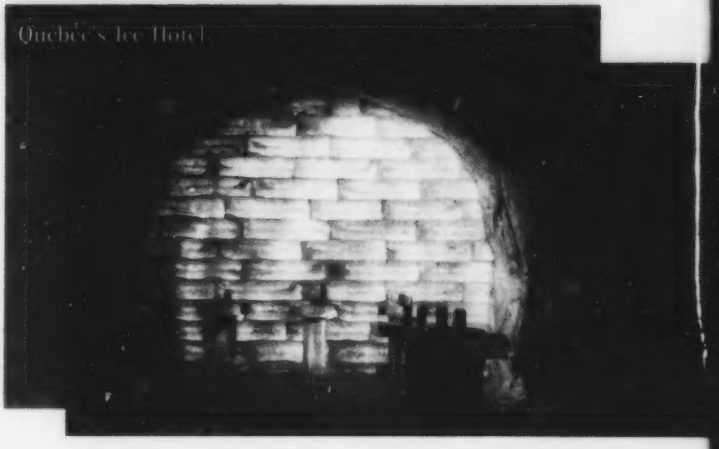
An environment and a culture that promote openness and innovation

- Québec's society is open and innovative, progress and tradition, technology and nature, go hand in hand.

A place abounding with attractions

- Major international events are held each year in Québec:
  - the Montréal International Jazz Festival attracts performers from around the world;
  - the Carnaval de Québec made famous by its Bonhomme and snow sculptures.
- These are but a few of the attractions that tourists flock to Québec to discover. This is reflected in:
  - the number of visitors from abroad, which has risen annually by 4.6% from 1998 to 2000;
    - in 2000, 5.5 million foreign tourists visited Québec.

Montréal International Jazz Festival


Québec's Ice Hotel

Cirque Éos

A world culture

- Québec culture is increasingly recognized around the world in such varied fields as music, literature, painting, television, theatre, design, architecture and the circus.
- Some examples :
  - Céline Dion;
  - the Montréal Symphony Orchestra;
  - internationally renowned circuses such as the Cirque du Soleil, Cirque Éloize and Cirque Éos;
  - the television series "Un gars, une fille", adapted in over 20 countries;
  - paintings and sculptures by artists such as Paul-Émile Borduas, Jean-Paul Riopelle, Armand Vaillancourt;
  - the plays of Robert Lepage;
  - performances ranging from dance by companies such as La La La Human Steps to comedy at the Just For Laughs Festival;
  - fashion creations by Jean-Claude Poitras, Marie Saint-Pierre, Philippe Dubuc and many others.

The Evening Post.

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PRICE THREE CENTS. NEW YORK, SATURDAY, MARCH 8, 1879 NINE DOLLARS A YEAR.

DOMINION OF CANADA.

Province of Quebec Government Loan.

Issue of $3,000,000 5 per cent Bonds
IN
Denominations of $1 000 and $500.

PRINCIPAL DUE IN 1908. INTEREST HALF YEARLY on May 1st and November 1st, AND BOTH PRINCIPAL AND INTEREST PAYABLE IN AMERICAN GOLD COIN at the Agency of the Bank of Montreal IN NEW YORK or at the option of the holder, in Pound Sterling, at the office of the same Bank in London. Issued under authority of the Act 41, Vic. Cap. 1, of the Legislature of the Province of Quebec, entitled " An Act respecting the Consolidated Railway Fund of this Province. "

The Funded Debt of the Province of Quebec, exclusive of the present loan, is £1,610,200, less the amount of Sinking Fund paid thereon.

The Annual Revenue of the Province, according to the last published account, was about $2,500,000 of which about $1,000,000 is a fixed income from the Dominion Government, and all the property of the Province (which includes the Cities of Montreal and Quebec) and of its inhabitants, numbering about 1,250,000, is taxable for the payment of its loans.

A CUMULATIVE SINKING FUND OF ONE PER CENT is required by law to be annually invested for the redemption of these Bonds.

The undersigned, under authority from the Treasurer of the Province of Quebec, will receive subscriptions AT PAR AND ACCRUED INTEREST, for the above loan, UNTIL MARCH 20th NEXT, the right being however distinctly reserved TO CLOSE THE SUBSCRIPTION PRIOR TO THAT DATE. Copies of the Act under which the Loan is issued, together with the opinion of eminent counsel, and a statement respecting the finances of the Province, may be had upon application at the offices of the undersigned, who will also take steps to have these bonds placed upon the list of the New York Stock Exchange.

O.F. SMITHERS } Agents of the Bank of
W. WATSON } Montreal, 59 Wall st.
KUHN, LOEB & CO, 31 Nassau street.

"That American investors appreciate a good thing whether it is domestic or foreign, and that there is great confidence here in the good faith of the English government and its promises respecting public indebtedness, are shown by the quick sale in this market of the loan of the government of the Province of Quebec. This loan, which is for $3,000,000, was brought out here on Tuesday morning, and at the opening of business to-day $2,300,000 of the bonds had been taken. A good part of the bonds were taken by New England buyers, and there were orders of importance from Philadelphia and some from Baltimore, all the buyers, so far as we could learn, belonging to the careful class that usually invest in government securities. Whatever part of the loan remains unsold at the close of business to-day will be held for future sale by the bankers who were the original takers. **It should go on the record that the first foreign loan ever offered in New York was successful beyond expectation".**